

ONAWAY AREA AMBULANCE SERVICE ONAWAY, MICHIGAN

Financial Statements For the Year Ended March 31, 2005

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Issued under	P.A. 2 of 19			- Nep	Т.			County	
Local Govern	nment Type Towr	nship	☐ Village	✓ Other	Cocal Government Nonaway Area	a Ambulance Servi	се	1 -	que Isle
Audit Date 3/31/05			Opinion 9/6/0			ite Accountant Report Submit /14/05	tted to State:		
accordanc	e with th	e State	ements of	the Govern	mental Accountii	ernment and rendereding Standards Board (in Michigan by the Mi	GASB) and the	ne <i>Uniform I</i>	Reporting Format fo
We affirm									
1. We ha	ave compl	ied with	n the <i>Bullet</i>	in for the Au	idits of Local Unit	s of Government in Mic	chigan as revis	∋d.	
2. We ar	e certified	l public	accountan	ts registered	d to practice in Mi	chigan.			
We further comments			-	responses h	ave been disclos	ed in the financial state	ements, includi	ng the notes,	or in the report of
You must o	check the	applica	ble box for	each item b	pelow.				
Yes	√ No	1. Ce	ertain comp	onent units	funds/agencies o	f the local unit are excl	uded from the	financial sta	tements.
Yes	√ No		nere are ao '5 of 1980)		deficits in one or	more of this unit's un	reserved fund	balances/ret	ained earnings (P.A
✓ Yes	☐ No		nere are in nended).	stances of	non-compliance	with the Uniform Acco	ounting and Bu	udgeting Act	(P.A. 2 of 1968, as
Yes	Yes Vo 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.								
Yes	Yes No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943 as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).								
Yes	Yes Vo 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.								
Yes	The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earne Yes No 7. pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfundin credits are more than the normal cost requirement, no contributions are due (paid during the year).					and the overfunding			
Yes	Yes No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1999 (MCL 129.241).								
Yes	√ No	9. Th	ne local uni	t has not ad	opted an investm	ent policy as required t	oy P.A. 196 of	1997 (MCL 1	29.95).
We have	enclosed	the fo	llowing:				Enclosed	To Be Forward	Not ed Required
The letter	of comm	ents an	d recomme	endations.			✓		
Reports o	Reports on individual federal financial assistance programs (program audits).				✓				
Single Au	Single Audit Reports (ASLGU).				✓				
Certified Pul		•	Name) er, CPA,	PC	1				
Street Addre	≱\$s		eet, P.O.		0//	City Mackinaw C	ity	State MI	49701
Accountant	Signature	1		Mad		YV!		Date O	1805

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Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

September 6, 2005

Members of the Board Onaway Area Ambulance Service Onaway, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund information of the *Onaway Area Ambulance Service*, *Onaway, Michigan*, as of and for the year ended March 31, 2005, which collectively comprise the *Onaway Area Ambulance Service's* basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the *Onaway Area Ambulance Service's* management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the *Onaway Area Ambulance Service, Onaway, Michigan*, as of March 31, 2005, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Service has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages 1 through 3 and 18, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, C.P.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Onaway Area Ambulance Service's (The Service) annual financial report presents our discussion and analysis of The Service's financial performance during the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of The Service as a whole and present a longer-term view of The Service's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. The fund financial statements also report the Service's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2005 totaled \$544,732. Of the total, \$232,885 represents capital assets, net of depreciation.

Overall revenues were \$484,529 (\$252,195 from charges for services, \$133,051 from operating grants and contributions and \$99,283 from general revenues). Overall expenses in the statement of activities were \$320,147.

The Service reduced its debt and purchased capital assets in the amount of \$110,839 during the fiscal year. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Service.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2005.

The remaining statements are fund financial statements, which focus on individual parts of The Service in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Service as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of The Service's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between The Service's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in The Service's net assets are an indicator of whether financial position is improving or deteriorating.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about The Service's funds. Funds are used to account for specific activities or funding sources. Funds are established to account for funding of specific financial resources and to show proper expenditure of those resources.

The Service has only the following type of fund:

Governmental Fund

The Service's activities are included in one fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between The Service's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FUND ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets

The Service's net assets increased \$160,382 during the year, to total \$529,270.

FINANCIAL ANALYSIS OF THE SERVICE'S FUNDS

The governmental activities paid \$282,988 for ambulance operations.

The Service's governmental activities invested \$110,839 in capital assets, including a new ambulance and other medical equipment.

The Service's governmental activities paid \$37,085 of principal on contracts and leases, paying off a capital lease on an ambulance acquired in a prior year.

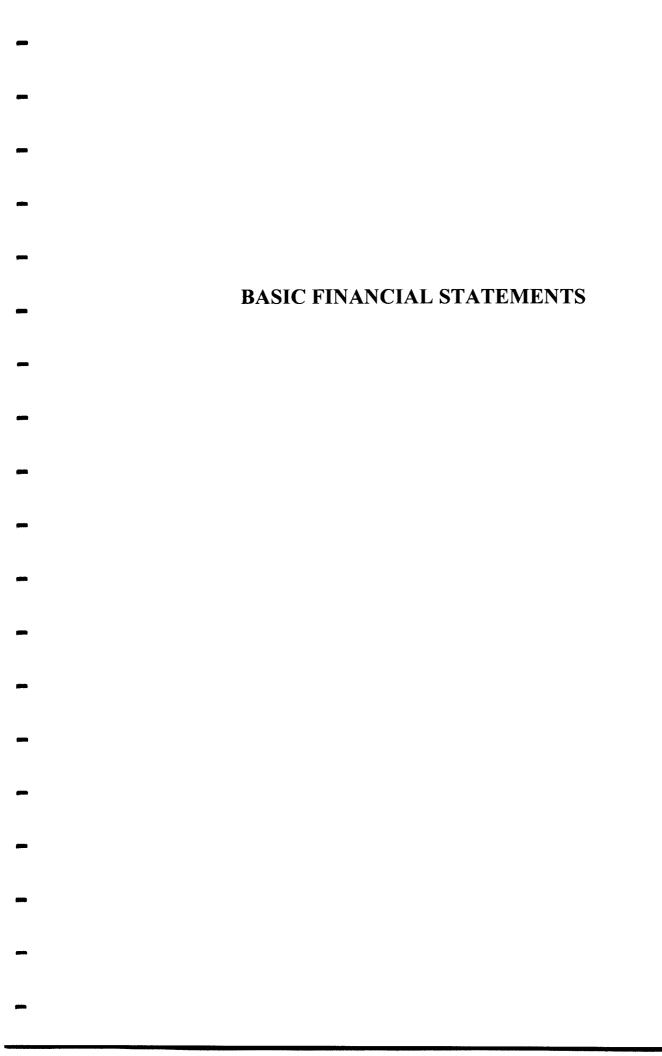
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

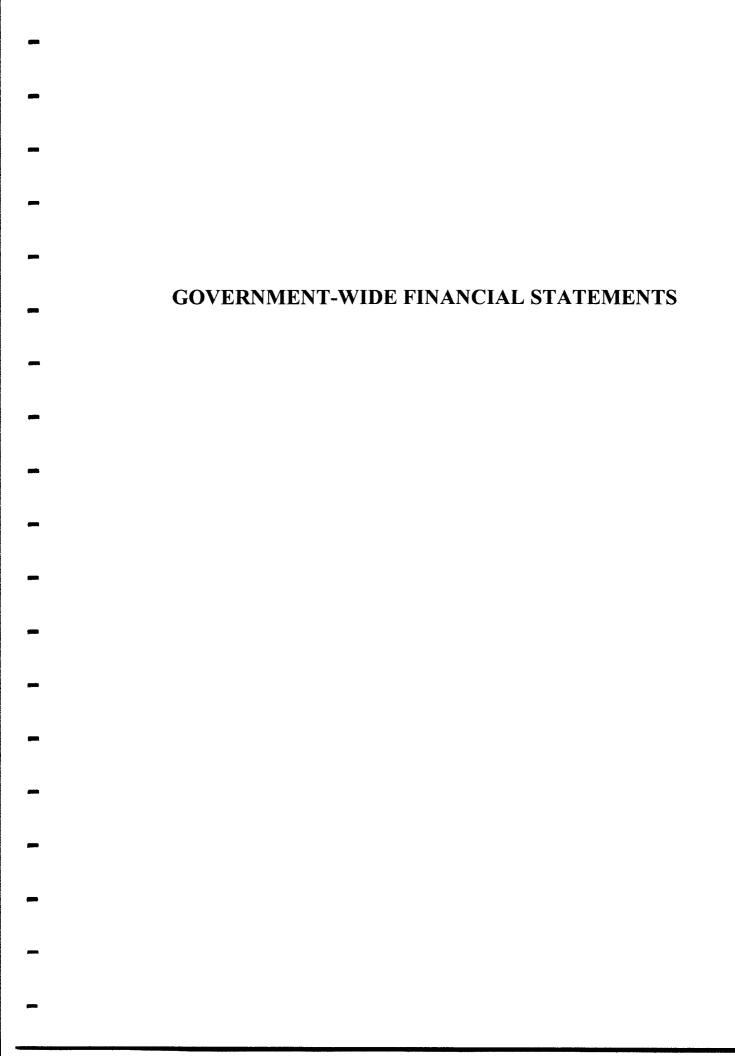
KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Service's revenue is dependent on continuing contributions from the participating government units, services provided, and contributions from the public.

CONTACTING MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Onaway Area Ambulance Service's finances and to demonstrate The Service's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Chairman at 989.733.4166.





ONAWAY AREA AMBULANCE SERVICE STATEMENT OF NET ASSETS MARCH 31, 2005

-	ASSETS	GOVERNMENTAL ACTIVITIES
	CURRENT ASSETS:	
	Cash and cash equivalents	\$140,812
	Investments	99,514
_	Accounts receivable	71,521
	TOTAL CURRENT ASSETS	311,847
_	CAPITAL ASSETS:	
	Capital assets	394,225
	Accumulated depreciation	(161,340)
-	TOTAL CAPITAL ASSETS	232,885
_	TOTAL ASSETS	\$544,732
	LIABILITIES AND NET ASSETS	
	LIABILITIES (All Current):	
	Accounts payable	\$1,836
,,,,,,	Accrued wages	7,060
	Note payable	6,466
_	TOTAL LIABILITIES	15,362
_	NET ASSETS:	
	Invested in capital assets, net of related debt	226,419
_	Unrestricted	302,951
	TOTAL NET ASSETS	529,370
_	TOTAL LIABILITIES AND NET ASSETS	\$544,732

The accompanying notes are an integral part of these financial statements.

ONAWAY AREA AMBULANCE SERVICE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2005

			Program Revenues
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities			
Public safety	\$320,685	\$252,195	\$133,051
Interest on long-term debt	3,462	_	
Total governmental activities	324,147	252,195	133,051

General Revenues

Contributions from local units

Unrestricted interest income

Other

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

Net (Expense) Revenue and Changes in Net Assets

ın N	et Assets
T	OTAL
-	\$64,561
-	(3,462)
-	61,099
	94,382
	3,049
	1,852
	99,283
	160,382
	368,988
	\$529,370

•	
	FUND FINANCIAL STATEMENTS
•	

ONAWAY AREA AMBULANCE SERVICE BALANCE SHEET - GOVERNMENTAL FUND MARCH 31, 2005

_	ASSETS	GOVERNMENTAL ACTIVITIES
	CURRENT ASSETS:	
	Cash and cash equivalents	\$140,812
	Investments	99,514
	Accounts receivable	71,521
_	TOTAL ASSETS	\$311,847
_	LIABILITIES AND FUND EQUITY	
	LIABILITIES:	
_	Accounts payable	\$1,836
	Accrued wages	7,060
_	TOTAL LIABILITIES	8,896
	FUND EQUITY	
_	Fund balance:	
	Reserved for ambulance replacement	90,000
	Unreserved. undesignated	212,951
	TOTAL FUND EQUITY	302,951
_	TOTAL LIABILITIES	
	AND FUND EQUITY	\$311,847

The accompanying notes are an integral part of these financial statements.

ONAWAY AREA AMBULANCE SERVICE BALANCE SHEET - GOVERNMENTAL FUND MARCH 31, 2005

Reconciliation of fund balance on the balance sheet for the governmental activity to the statement of net assets FUND BALANCE - TOTAL GOVERNMENTAL FUND \$302,951 Amounts reported for governmental activities in the statement of net assets are different because: Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Add: capital assets 394,225 Subtract: accumulated depreciation (161,340)The note payable is not due and payable in the current period and therefore, is not reported as a liability in the governmental fund. (6,466)NET ASSETS OF GOVERNMENTAL ACTIVITIES \$529,370

The accompanying notes are an integral part of these financial statements.

ONAWAY AREA AMBULANCE SERVICE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND FOR THE YEAR ENDED MARCH 31, 2005

	REVENUES	
	Contributions from local units	\$94,382
	Charges for services - sales	210,615
	Charges for services - subscriptions	41,580
_	Interest	3,049
	Contributions and donations from private sources	133,051
	Other	1,852
-		
	TOTAL REVENUES	484,529
_	EXPENDITURES	
	Current:	
	Public safety:	
	Salaries, wages and benefits	212,630
	Billings and collections	7,734
	Communications	2,870
_	Transportation	7,852
	Education and training	7,464
	Promotion	1,596
_	Professional services	2,545
	Repairs and maintenance	8,392
	Supplies - medical	10,707
	Supplies - office	3,055
	Supplies - other	1,732
	Utilities	4,263
	Insurance	7,748
	Other	4,400
	Capital Outlay	110,839
	Debt service:	
	principal	37,085
	interest	3,462
	TOTAL EXPENDITURES	42.4.257
-	TOTAL EAT ENDITURES	434,374
	REVENUES OVER EXPENDITURES	50,155
-	FUND BALANCE, BEGINNING OF YEAR	252,796
,	FUND BALANCE, END OF YEAR	\$302,951

ONAWAY AREA AMBULANCE SERVICE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND FOR THE YEAR ENDED MARCH 31, 2005

Reconciliation of statement of revenues, expenditures and changes in fund balance of the governmental fund to the statement of activities CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$50,155 Amounts reported for governmental activities in the statement of activities are different because: Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities. Add: capital outlay capitalized during the current year 110,839 Subtract: depreciation expense (37,697)Repayment of bond and note principal is an expenditure in the governmental fund, however, it reduces long-term liabilities in the statement of net assets. Add: principal payments on long-term liabilities. 37,085 CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$160,382

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Onaway Area Ambulance Service (The Service) is a joint venture organized to provide ambulance service throughout the Onaway, Michigan area, pursuant to Michigan P.A. 7, Section 10, Paragraph (2), 1967, serving the City of Onaway, the Hillman Fire and Ambulance Board (serving the Village of Hillman and the townships of Rust and Montmorency) the Townships of Allis, Bearinger, Case, Forest, North Allis, Ocqueoc, and Waverly.

The accounting policies of the Onaway Area Ambulance Service conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

On April 1, 2004, the Onaway Area Ambulance Service adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, and Statement No. 38, Certain Financial Statement Note Disclosures. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Onaway Area Ambulance Service's financial statements has shifted from a fund focus to a government-wide focus.

THE REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Onaway Area Ambulance Service and any component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based on the foregoing criteria, the Onaway Area Ambulance Service has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on the ambulance service as a whole.

(Continued)

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The Service's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental payments and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Fund financial statements are provided for The Service's government fund.

The Service reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Onaway Area Ambulance Service. It is used to account for all financial resources.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS

An operating budget is adopted each fiscal year for the General Fund on the same basis of accounting as the financial statements are presented. The Onaway Area Ambulance Service follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Secretary submits to the Onaway Area Ambulance Service Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments and the individual participating governmental units review and approve the budget.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Onaway Area Ambulance Service Board.

The Onaway Area Ambulance Service's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded, is not employed by the Onaway Area Ambulance Service because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are stated at cost and consist of certificates of deposit with maturity values of three months or longer.

RECEIVABLES

Receivables are reported at gross value or net of a valuation allowance, if applicable

CAPITAL ASSETS

Capital assets include property, plant and equipment. Capital assets are defined by the government as assets with an initial individual cost generally of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements 10 - 30 years Equipment and vehicles 5 - 10 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statement, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Service incurred no additional long-term obligations during the year ended March 31, 2005.

RESERVES

Reserves represent those amounts which are legally, contractually, or otherwise segregated for future use.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation or sick leave, nor post-employment benefits to be recognized.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, The Service's actual expenditures and budgeted expenditures for the government fund is shown on a functional basis. The approved budgets of The Service were adopted to the activity level. The Service incurred expenditures which exceeded the amount appropriated as follows:

	Appropriations	Expenditures	Variance
Capital Outlay	\$ 2,200	\$110,839	\$108,639

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

The caption on the combined balance sheet relating to cash, cash equivalents and investments represent deposits in one financial institution located in Michigan in varying amounts as follows:

Cash and cash equivalents	\$140,812
Investments	99,514
	0040.006
	\$240,326

At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC) Uninsured – uncollateralized	\$112,405 127,921	\$114,280 127,720
	\$240,326	\$242,000

(Continued)

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

For the year ended March 31, 2005, certificates of deposit of \$99,514 with original maturity of greater than 90 days are recorded in the financial statements as investments. All accounts are in the name of the Onaway Area Ambulance Service. They are recorded in the records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Michigan Compiled Laws, Section 129.91 authorizes units of local governments to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE 4: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year is as follows:

	Balance			Balance
	April 1, 2004	Additions	Deletions	March 31, 2005
Not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Being Depreciated:				ŕ
Building and Improvements	105,819	1,476	-	107,295
Equipment	52,094	29,402	-	81,496
Vehicles	115,473	79,961		195,434
Subtotal	283,386	110,839	-	394,225
Less accumulated depreciation	(123,643)	(37,697)		(161,340)
Total	\$159,743	\$73,142	\$ -	\$232,885

Depreciation was charged to the functions as follows:

Public safety \$37,697

NOTES TO FINANCIAL STATEMENTS

NOTE 5: LONG-TERM DEBT

A summary of long-term obligations and transactions related thereto for the year then ended is as follows:

	Balance			Balance
	April 1, 2004	Additions	Deletions	March 31, 2005
Note payable – Land and Building, monthly payments of \$1,132, including interest				
At 5.75%.	\$19,394	\$ -	\$12,928	\$6,466
Capital lease				
(See Note 5)	24,157		24,157	-
	\$43,551	\$ -	\$37,085	\$6,466

The annual requirements for the year ending March 31, 2006, including \$106 in interest, are \$6,572 and none thereafter.

NOTE 6: LEASE

The Onaway Area Ambulance Service has a vehicle lease with Allied Capital, Inc. which meets the criteria for capitalization under generally accepted accounting principles. The present value of the minimum lease payments of \$45,000 was capitalized at the inception of the lease using a 7.66% interest rate. The lease is payable in four annual installments of \$13,483, which began April 10, 2002. The final payment was made during the year ended March 31, 2005, as shown in Note 4. The vehicle leased, in the amount of \$65,610, is included in the capital assets at March 31, 2005.

NOTE 7: AMBULANCE SERVICE

The nine governmental units described in Note 1 established the Onaway Area Ambulance Service. Each governmental unit provides one representative to the board. The expenses involved in overall operations of the ambulance service are split equally between the nine units, and the expenses associated with ambulance runs within a governmental jurisdiction are absorbed by that governmental unit.

NOTES TO FINANCIAL STATEMENTS

NOTE 8: RISK MANAGEMENT

The Onaway Area Ambulance Service participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Onaway Area Ambulance Service. The Onaway Area Ambulance Service pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$208,000, general liability of \$6,000,000, wrongful acts of \$5,000,000, automobile of \$4,000,000, crime of \$10,000, inland marine liability of \$32,500 and bonding for public officials errors and omissions. Additionally, the Onaway Area Ambulance Service has purchased commercial insurance for workmans compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

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-	SUPPLEMENTARY INFORMATION
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ONAWAY AREA AMBULANCE SERVICE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES				
Contributions from local units	\$94,382	\$94,382	\$94,382	\$ -
Charges for services - sales	159,000	159,000	210,615	51,615
Charges for services - subscriptions	41,000	41,000	41,580	580
Interest	2,000	2,000	3,049	1,049
Contributions and donations from private sources	-	-	133,051	133,051
Other	•		1,852	1,852
TOTAL REVENUES	296,382	296,382	484,529	188,147
EXPENDITURES				
Current:				
Public safety:	304,388	291,388	282,988	8,400
Capital Outlay	2,200	2,200	110,839	(108,639)
Debt service:	_,,-	2,200	110,057	(100,037)
principal	14,000	37,090	37,085	5
interest	13,582	3,492	3,462	30
TOTAL EXPENDITURES	334,170	334,170	434,374	(100,204)
REVENUES OVER EXPENDITURES	(37,788)	(37,788)	50,155	87,943
FUND BALANCE, BEGINNING OF YEAR	252,796	252,796	252,796	-
FUND BALANCE, END OF YEAR	\$215,008	\$215,008	\$302,951	\$87,943



Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

September 6, 2005

Members of the Board Onaway Area Ambulance Service Onaway, Michigan

In planning and performing my audit of the general purpose financial statements of *Onaway Area Ambulance Service, Onaway, Michigan*, for the year ended March 31, 2005, I considered the Onaway Area Ambulance Service's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I noted certain matters involving the internal control structure and other operational matters, presented for your consideration, that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated September 6, 2005 on the financial statements of the *Onaway Area Ambulance Service*.

Thank you for the opportunity to serve the *Onaway Area Ambulance Service*. Best wishes in the next year.

Richard E. Mahlmeister, C.P.A.

Onaway Area Ambulance Service Comments & Suggestions September 6, 2005 Page 2 (two)

REPORTABLE CONDITION

Reportable conditions involve matters coming to my intention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the Onaway Area Ambulance Service's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Onaway Area Ambulance Service. This condition is generally inherent in organizations the size of the Onaway Area Ambulance Service, where corrective action is not practical, and is not considered to be a material weakness.

PUBLIC ACT VIOLATIONS

Excess of Expenditures over Appropriations

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2005, The Service incurred expenditures in certain budgetary funds, which exceed the amount appropriated, as shown in the body of the financial statements.

I suggest that the Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary, prior to making expenditures, to avoid incurring expenditures in excess of appropriations.

CAPITAL ASSETS

I recommend that the Board review the policy as to which assets should be recorded as a capital asset. The *Government Officer's Finance Association* (GFOA) recommends that assets that have a useful life of at least one-year and a cost of \$5,000 be included as a capital asset. I further would recommend that the Board make this threshold, at least, in the range \$1,000 to \$2,000. Adopting a capitalization policy with these minimums would exclude assets of minimal value and would make the record keeping less cumbersome and would create more useful capital asset information.